

2004 Catastrophic Mental Health Report

Utah Insurance Department

February 27, 2004

Executive Summary

The purpose of this report is to comply with the statutory requirements of Utah Code Annotated (U.C.A.) § 31A-22-625(6)(b), which requires the Utah Insurance Commissioner to report to the Health and Human Services Interim Committee the percentage of contracts and policies with mental health coverage as permitted under U.C.A. § 31A-22-625. The report also includes the results of the Utah Insurance Department's research study, which estimates the impact of the catastrophic mental health statute on the commercial health insurance market during 1999 to 2002. The study is based on information obtained from commercial health insurers, the Utah Department of Health, and the available research literature on mental health and mental health parity statutes. Using four years of data from approximately 90 percent of the commercial health insurance market (ranging from approximately 78 percent of the market in 1999 to 98 percent of the market in 2002), the Utah Insurance Department estimated the impact of the catastrophic mental health statute on commercial health insurance coverage, the commercially insured population with mental illness, and comprehensive claim costs in the commercial group health insurance market.

Coverage Impact. In 1999, prior to the passage of the catastrophic mental health statute, nearly 80 percent of commercially insured members had some type of mental health coverage. This percentage appears to have increased after the catastrophic mental health statute was in place. For example, by 2002, nearly 93 percent of commercially insured members had some type of mental health coverage, a 13 percent increase from 1999 to 2002.

This increase in coverage occurred in both the large and small group markets, with a slightly greater impact in the small group market. Generally, the data suggests that few employers terminated coverage during this period and some chose to increase coverage for the treatment of mental illness. Furthermore, mental health coverage also appears to have become more standardized during this period. For example, by 2002, most small group plans reported fifty/fifty coverage, whereas most large group plans reported catastrophic coverage. Few health insurers reported coverage that exceeded the minimum requirements of the catastrophic mental health statute.

Population Impact. The catastrophic mental health statute applies only to employer group plans in the commercial health insurance market. This market provides coverage for approximately 29 percent of Utah residents. Based on national prevalence estimates of mental illness, between 1.0 and 1.7 percent of Utah residents and their families are directly affected by the statute.

Financial Impact. Financial impact was measured using data from 1999 to 2002. All data was adjusted to 1999 dollars using the Medical Care Price Index and weighted by member years. During this four-year period, average comprehensive losses per member per year increased by 11.8 percent, whereas mental health losses per member per year increased by approximately 87.0 percent.

To put this cost increase in perspective, the cost of mental health services as a percentage of comprehensive losses per member per year increased from 1.3 percent in 1999 to 2.2 percent

in 2002, a relative increase of 0.9 percent. Thus, mental health services, as measured in this study, did not exceed 2.2 percent of comprehensive losses per member per year during the four years data was available and does not appear to have increased comprehensive claim costs more than 1.0 percent. The Utah Insurance Department's cost estimate is consistent with the Legislative Fiscal Analyst's previous estimate that the premium impact of the catastrophic mental health statute would range between a 2.0 percent savings and a 7.0 percent increase. It is also consistent with other national and state cost estimates of mental health parity legislation.

Estimated Benefits. Reviews of mental health treatment, such as the Surgeon General's report on mental health, suggest that mental health treatment can be effective in reducing the symptoms of mental illness, which in turn may reduce health care costs, increase productivity, and improve the quality of life for those with mental illness and their families. Although the available data did not permit the Utah Insurance Department to test these factors directly, the data did suggest three trends that may be beneficial to commercially insured members with mental illness. First, there was a moderate increase in the number of commercially insured members with insurance coverage for the treatment of mental illness. Second, there was a significant decline in the number of inpatient days per member per year and an increase in the number of outpatient visits per member per year, which suggests a shift from inpatient to outpatient services. Third, commercial health insurers covered a larger percentage of the cost of mental health services in 2002 than in 1999. While this provided a financial benefit to members who utilized mental health services, it also increased the average cost per claim for mental health services among commercial health insurers.